

Comptroller

11 April 1955

Chief, Finance Division

Accounting for Funds Furnished Agents
Penetrating Denied Areas

1. PROBLEM:

- a. FI Projects are activated from time to time which have as their objective the penetration of, or funding of agents who have penetrated, denied areas.
- b. Confusion has arisen as to the nature of and extent to which accountings for funds authorized for such projects, must be accomplished.
- c. Clarification of accounting requirements and point of charge to expense is necessary to the efficient effective administration of these projects.

2. DISCUSSION:

- a. It is not realistic to require nor to expect detail accountings by the agents funded under these projects, since in many instances it is not contemplated that the agent will, or will be able to, exfiltrate. In instances where exfiltration occurs, maintenance of records necessary to effect detail accounting would place an unreasonable and unjustified risk on the agent.
- b. It is reasonable to expect and require the Case Officer, or other Agency person, serving as point of control and contact with the agent to render normal accountings for funds passed.
- c. Control over the ultimate disposition and use of funds injected into denied areas can be maintained by recording in memorandum asset accounts for follow-up and clearance on exfiltration of the agent or certification by his division that he must be presumed lost or is not expected to exfiltrate.

3. CONCLUSIONS:

- a. It is concluded that:
 - (1) Funds advanced under authority granted in projects contemplating penetration of, or funding of agents in,

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denied areas should be charged to expense and cost on basis of accountings by person passing funds to agent.

- (2) Case Officers or others funding agents under such projects should support their accountings by receipts of the agents (or certifications in lieu of receipts as provided by regulation) and further certify as follows:

"I certify that funds reflected on this accounting, as passed to agents for operations in denied areas, were authorized for such use by a properly approved project plan and that the agent has been advised that upon exfiltration, he will be expected to furnish general information as to the use made of funds provided."

- (3) Upon receipt of the above accounting, Finance Division should record the funds passed to an appropriate memorandum asset account for periodic follow-up (at not less than six month intervals) until an accounting is obtained or determination made that further accounting will not be received.
- (4) Clearance from the memorandum asset account should be accomplished upon
 - (a) Exfiltration by the agent and certification by him that the funds were used for the purpose intended, and refund of any unused portion of funds, or
 - (b) Certification by the Chief of the Area Division concerned, that the agent must be presumed lost or will not exfiltrate, and that further accountings will not be obtained.
- (5) Implementation of the above conclusions represents standardization and definition of accounting requirements rather than waiver or modification and, accordingly, appears to be a matter which is appropriate for resolution under regulations without recourse to administrative plan or other special approval processes.

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4. ACTION RECOMMENDED:

It is recommended that the accounting procedure and policy as outlined under conclusions be approved for implementation.

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Chief, Finance Division

ACTION BY APPROVING AUTHORITY:

APPROVED:

(Date) 27 April 1955

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Controller

FD/LEB:mct

*Concurs
s/ E. M. F.
Chief, Audit Staff*

BF-18067